

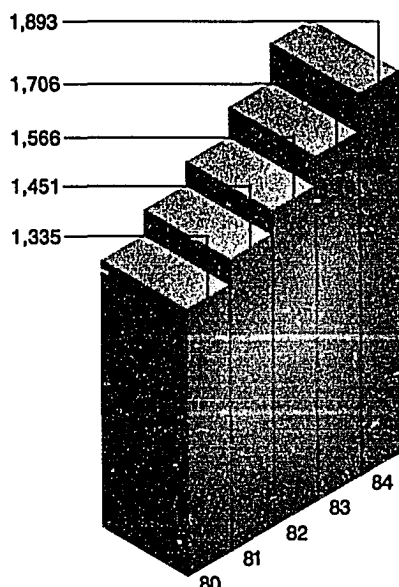
**Hershey Foods Corporation**

1984 Summary Annual Report

# Company Profile

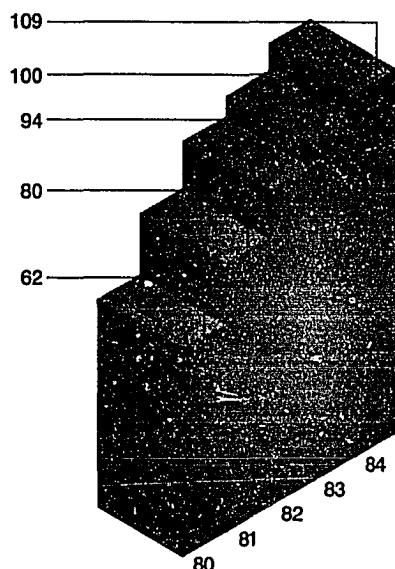
## Net Sales

(dollars in millions)



## Net Income

(dollars in millions)



## 1984 Financial Highlights

(in thousands of dollars except shares and per share amounts)

	1984	1983	% Change
Net sales	\$1,892,506	\$1,706,105	+11
Net income	108,682	100,166	+9
Net income per share	3.47	3.20	+9
Cash dividends paid per share of Common Stock	1.24	1.10	+13
Cash dividends paid per share of Class B Common Stock	.315	—	N/A
Total cash dividends paid	38,680	34,470	+12
Capital additions	87,049	105,244	-17
Stockholders' equity at year-end	660,928	596,037	+11
Price per share of Common Stock at year-end	38.63	31.63	+22
Equity per share at year-end	21.09	19.02	+11
Outstanding shares at year-end	31,337,112	31,337,112	—
Weighted average shares outstanding	31,337,112	31,337,112	—

All shares and per share information have been adjusted for the two-for-one stock split effective September 15, 1983. Shares of Class B Common Stock were issued in an exchange offer which was concluded on November 29, 1984. Total outstanding shares at December 31, 1984 of 31,337,112 consists of 26,235,110 shares of Common Stock and 5,102,002 shares of Class B Common Stock. Net income per share and equity per share are based on total outstanding shares of 31,337,112.

## Mission Statement

Hershey Foods Corporation's basic business objective is to become a major, diversified food company. The Company follows four basic strategies in pursuit of this objective: 1) to capitalize on the considerable growth potential of the Company's existing brands and products in current markets; 2) to introduce new products; 3) to expand the distribution of Hershey's long established, well-known brands and new products into new markets—domestic and foreign; and 4) to make acquisitions and other types of alliances. These strategies are pursued within the context of maintaining the financial strength of the Company.

A basic principle which Hershey will continue to embrace is to attract and hold consumers with products and services of consistently superior quality and value.

This Summary Annual Report contains information taken largely from the Company's 1984 Annual Report to Stockholders. However, the Summary Annual Report is not a substitute for the 1984 Annual Report to Stockholders, which contains additional significant information about the Company. If you would like a copy of the 1984 Annual Report to Stockholders, please write or call the investor relations contact listed below.

## Executive Offices

100 Mansion Road East  
Hershey, PA 17033

## Transfer Agent and Registrar

Manufacturers Hanover  
Trust Company  
P.O. Box 24935  
Church Street Station  
New York, NY 10249

## Independent Public Accountants

Arthur Andersen & Co.  
1345 Avenue of the Americas  
New York, NY 10105

## Investor Relations Contact

James A. Edris, Manager  
Financial Information  
14 East Chocolate Avenue  
Hershey, PA 17033-0814  
Phone: (717) 534-7552



## Chocolate and Confectionery

Hershey's chocolate and confectionery segment includes Hershey Chocolate Company and Hershey Canada Inc. and produces a broad line of chocolate and confectionery products which are packaged in a variety of forms and marketed under more than thirty brands. Among the segment's principal brands are HER-SHEY'S, REESE'S, KIT KAT and Y & S.

Hershey has chocolate and confectionery plants in Hershey, PA; Oakdale, CA; Smiths Falls, Ontario, Canada; and a confectionery plant in Stuarts Draft, VA. In addition, this segment includes the H. B. Reese Candy Company with its production facility in Hershey, PA, and Y&S Candies, a manufacturer of licorice-type candies with plants in Lancaster, PA; Moline, IL; Farmington, NM; and Montreal, Quebec, Canada.

## Restaurant Operations

Friendly Ice Cream Corporation, headquartered in Wilbraham, MA, operates a chain of over 700 company-owned restaurants in 16 states located primarily in the Northeast and Midwest. The restaurants serve high quality, moderately-priced menu items, and offer ice cream in many forms and flavors, sandwiches, and informal meals.

Menus are substantially uniform throughout the chain, and with the exception of minor regional variations, prices are also uniform for all restaurants.

Friendly's plants in Wilbraham, MA, and Troy, OH, manufacture ice cream and many varieties of syrups and toppings, and furnish most of the other food and supplies used by the restaurants.

## Other Food Products and Services

Hershey Pasta Group, formerly the San Giorgio-Skinner division, is engaged in the manufacture and sale of quality pasta products throughout most of the United States under several brand names. These include SAN GIORGIO, SKINNER, DEL-MONICO, P&R, LIGHT 'N FLUFFY and AMERICAN BEAUTY. Manufacturing facilities are located in Lebanon, PA; Omaha, NE; Louisville, KY; Kansas City, KS; Denver, CO; and Fresno, CA.

Petybon Industrias Alimenticias Ltda., a wholly-owned Brazilian subsidiary, also produces pasta as well as biscuits and margarine. Cory Food Services, Inc., Chicago, IL, provides one of the nation's major office coffee service plans.

## Selected Industry Segment Data

(in thousands of dollars)

For the years ended December 31,

	1984	1983	1982
<b>Net sales:</b>			
Chocolate and Confectionery .....	<b>\$1,287,100</b>	\$1,159,065	\$1,081,558
Restaurant Operations .....	<b>427,122</b>	383,543	335,836
Other Food Products and Services .....	<b>178,284</b>	163,497	148,342
Total net sales .....	<b>\$1,892,506</b>	<b>\$1,706,105</b>	<b>\$1,565,736</b>
<b>Income from operations:</b>			
Chocolate and Confectionery .....	<b>\$ 195,810</b>	\$ 179,253	\$ 154,805
Restaurant Operations .....	<b>41,770</b>	39,428	34,279
Other Food Products and Services .....	<b>4,804</b>	4,692	4,947
General corporate expenses .....	<b>(22,464)</b>	(18,208)	(14,629)
Income from operations .....	<b>219,920</b>	205,165	179,402
<b>Interest expense, net .....</b>	<b>(10,349)</b>	(15,814)	(7,859)
<b>Income before taxes .....</b>	<b>209,571</b>	189,351	171,543
Less: Provision for income taxes .....	<b>100,889</b>	89,185	77,375
Net income .....	<b>\$ 108,682</b>	<b>\$ 100,166</b>	<b>\$ 94,168</b>

# Letter To Stockholders

Hershey Foods Corporation enjoyed a highly successful year in 1984. We are pleased to report that your Company achieved improved sales and earnings results for the seventh consecutive year.

This period parallels the existence of our strategic plan, and during this time, sales have grown at a compound annual rate of 16.0 percent, income from operations at 17.6 percent and net income at 14.8 percent. After giving effect to the three million additional shares of Common Stock issued in 1981, earnings per share compounded at 12.7 percent and dividends paid per share of Common Stock at 11.7 percent.

An important development during the year was the acquisition of the assets of American Beauty, a move which vaulted the Hershey Pasta Group into the number one market share position in branded pasta sales in the U.S. This move fulfilled a strategic objective to become the market leader in this increasingly important food category.

Perhaps most important was the successful completion of our equity expansion program. Given our unique ownership, it was necessary to devise a proposal which would allow the Company to issue additional Common Stock while meeting our majority stockholder's desire to maintain voting control of the Company. We firmly believe our recapitalization meets these criteria as well as the need to be fair to all stockholders. The resulting financial flexibility unlocks the door to the future achievement of the Company's basic business objective to become a major, diversified food company.

## Operational Highlights

Our three major divisions posted record sales and earnings results in 1984 despite the increasingly competitive nature of the markets in which they operate. Hershey Chocolate Company's results were excellent despite a slow start caused by increased marketing expenditures to

support new product introductions. Also early in the year, sales were hampered by the high level of customer inventories related to our price increase in late 1983. While price increases accounted for more than half of the overall sales increase, unit volume growth also made a significant contribution enabling the Company to achieve market share gains during the year.

Friendly Ice Cream Corporation had a formidable challenge in bettering their previous year's outstanding performance, but Friendly's 1984 results handsomely surpassed their 1983 sales and earnings achievements. Sales growth was positively influenced by new restaurant openings, greater volume in existing restaurants, and modest price increases. These were offset somewhat by less favorable weather conditions and increased competitive activity.

San Giorgio-Skinner Company was renamed the Hershey Pasta Group in 1984 to reflect the addition of AMERICAN BEAUTY to this group of strong regional brands. It should be noted that the pasta operations achieved another year of record sales and earnings before the inclusion of American Beauty results.

The Company twice increased its dividends paid on the Common Stock in 1984 with the result that Common Stock holders realized a 22 percent increase in the dividend rate during the year. This growth rate was more than five times the rate of increase in the Consumer Price Index during the year.

The investment market continues to recognize the value of your Company with the Common Stock enjoying a 22 percent price increase in 1984. Common Stock holders who owned stock all year and who reinvested dividends received a 27 percent return on their investment for the year.

## Management Succession

Our planning process has served the

Company well, and an integral part of that process is the management succession plan.

As we began 1985, Chairman of the Board William E. C. Dearden announced his intention to retire on March 1, 1985. Richard A. Zimmerman, President and Chief Executive Officer, was elected to succeed Mr. Dearden as Chairman of the Board, on the same date. He retains the title of Chief Executive Officer. The Board elected Kenneth L. Wolfe, Senior Vice President and Chief Financial Officer, to be President and Chief Operating Officer; Michael F. Pasquale, Vice President, Finance and Administration of Hershey Chocolate Company, to be Vice President, Finance and Chief Financial Officer of the Corporation; and William Lehr, Jr. to be Vice President as well as Secretary. These appointments are also effective on March 1.

Under the new leadership, it is expected that the development of the Corporation will continue as it has in recent years. In an earlier move as part of the same succession process, Mr. Dearden relinquished his post as Chief Executive Officer of the Corporation on January 1, 1984, and Mr. Zimmerman was elected to succeed him. Mr. Dearden will remain a member of the Board of Hershey Foods Corporation.

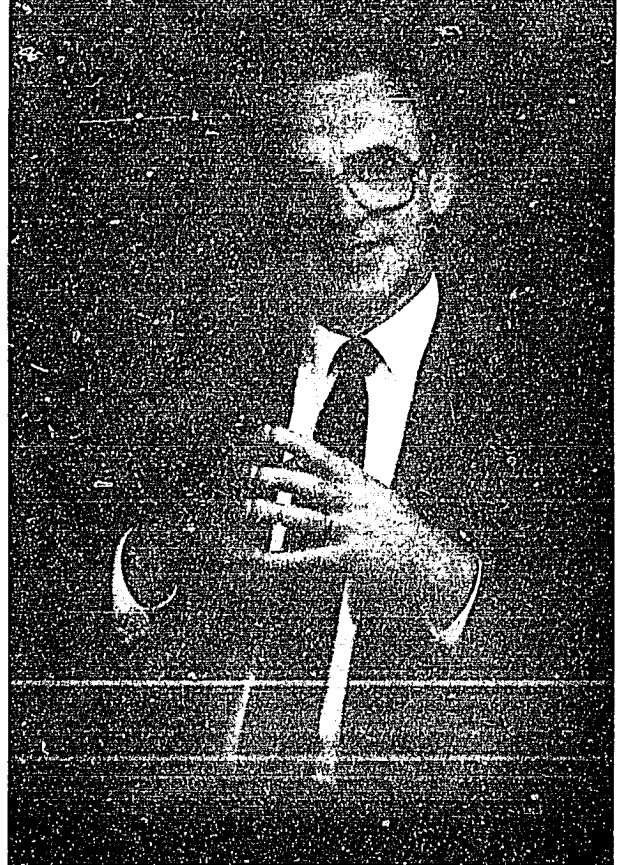


Kenneth L. Wolfe





William E.C. Dearden



Richard A. Zimmerman

Earlier in 1984, two key positions in Hershey Chocolate Company were filled as Larry D. Johns, Vice President, Sales, retired and was succeeded by Howard T. Cook, former Director of the Special Markets Group; and Jay F. Carr, former Director of Marketing, succeeded Gary W. McQuaid as Vice President, Marketing. Gary made significant contributions to Hershey Chocolate Company's growth, and we were all saddened by his untimely death.

Earl J. Spangler, President, Hershey Chocolate Company, announced his retirement at the end of 1984, after 34 years of service to the Company. Joseph P. Viviano, former Senior Vice President of the Corporation, has succeeded Earl as President of Hershey Chocolate Company, and we are confident that his leadership will result in continued successful growth of the Division's business.

### Board Changes

Effective August 7, 1984, John F. Burlingame, then Vice Chairman of the Board and Executive Officer of Gen-

eral Electric Company, was elected to the Board. He has subsequently retired from his General Electric positions. Effective August 27, 1984, Howard O. Beaver, Jr., former Chairman of the Board of Carpenter Technology Corporation, was elected to the Board. We welcome the wealth of knowledge and experience these two gentlemen bring to our Board of Directors.

We also acknowledge the valuable contributions made by Robert J. Lanigan, Chairman, President and Chief Executive Officer, Owens-Illinois, Inc.; Harold S. Mohler, former Chairman of Hershey Foods Corporation; Philip A. Singleton, Chairman and Chief Executive Officer, Singleton Associates International; Earl J. Spangler, former President, Hershey Chocolate Company; and John C. Suerth, Director and Member, Executive Committee, Gerber Products Company, all of whom left the Board during 1984.

During 1984, Hershey relied on four key attributes which give the Company direction. These attributes are the strategic planning process, a

young and dynamic key management group, the quality of our products and services and the high ethical standards of the Company. As we look to 1985, we shall continue to depend on these sources of strength. Another most important source of strength is Hershey's dedicated work force. Our growing number of employees performed especially well in 1984, and we thank them for their significant contribution to the Company's success. All of these factors serve to maximize the value of your investment as a Hershey Foods stockholder, and that is our ultimate goal.

Chairman of the Board

President and  
Chief Executive Officer

**Six-Year Consolidated Financial Summary**

(all dollars and share amounts in thousands except market price and per share statistics)

Five-Year Compound  
Annual Growth Rate  
1979-1984

		1984	1983	1982	1981	1980	1979
<b>Summary of Earnings</b>							
10.3%	Net Sales .....	<b>\$1,892,506</b>	1,706,105	1,565,736	1,451,151	1,335,289	1,161,295
8.6	Cost of Sales .....	<b>\$1,293,446</b>	1,168,109	1,084,748	1,015,767	971,714	855,252
15.5	Selling, Gen. & Admin. ....	<b>\$ 379,140</b>	332,831	301,586	267,930	224,615	184,166
(4.7)	Interest Expense .....	<b>\$ 15,291</b>	16,766	11,441	15,291	16,197	19,424
24.4	Interest (Income) .....	<b>\$ (4,942)</b>	(952)	(3,582)	(2,779)	(2,097)	(1,660)
14.8	Income Taxes .....	<b>\$ 100,889</b>	89,185	77,375	74,580	62,805	50,589
15.2	Net Income .....	<b>\$ 108,682</b>	100,166	94,168	80,362	62,055	53,504
12.9	Net Income Per Share .....	<b>\$ 3.47</b>	3.20	3.00	2.81	2.19	1.89
12.9	Dividends Paid Per Share of Common Stock .....	<b>\$ 1.24</b>	1.10	1.00	.875	.75	.675
	Dividends Paid Per Share of Class B Stock .....	<b>\$ .315</b>	—	—	—	—	—
	Net Income as a Percentage of Net Sales .....	<b>5.7%</b>	5.9%	6.0%	5.5%	4.6%	4.5%
16.0	Depreciation .....	<b>\$ 43,113</b>	37,274	30,681	27,565	24,896	20,515
19.8	Advertising .....	<b>\$ 79,169</b>	68,852	64,046	56,516	42,684	32,063
17.5	Promotion .....	<b>\$ 98,488</b>	81,569	73,264	66,728	57,404	44,014
<b>Changes in Financial Position</b>							
23.7	Cash Provided from Operations ..	<b>\$ 195,640</b>	174,392	115,532	63,139	90,432	67,604
9.1	Capital Additions .....	<b>\$ 87,049</b>	105,244	116,736	91,673	59,029	56,437
15.1	Cash Dividends .....	<b>\$ 38,680</b>	34,470	31,337	25,504	21,240	19,107
<b>Financial Position</b>							
	Current Assets .....	<b>\$ 385,321</b>	336,605	291,628	309,677	221,367	170,250
	Current Liabilities .....	<b>\$ 202,953</b>	151,634	148,893	134,035	111,660	103,826
	Working Capital .....	<b>\$ 182,368</b>	184,971	142,735	175,642	109,707	66,424
	Current Ratio .....	<b>1.9:1</b>	2.2:1	2.0:1	2.3:1	2.0:1	1.6:1
	Long-Term Debt .....	<b>\$ 125,236</b>	127,990	140,250	158,182	158,758	143,700
	Debt-to-Equity Percent .....	<b>19%</b>	21%	26%	34%	44%	45%
15.6	Stockholders' Equity .....	<b>\$ 660,928</b>	596,037	532,495	469,664	361,550	320,730
13.1	Total Assets .....	<b>\$1,122,567</b>	983,944	904,754	829,447	684,472	607,199
	Return on Average Stock- holders' Equity .....	<b>17.3%</b>	17.8%	18.8%	19.3%	18.2%	17.7%
	After-Tax Return on Average Invested Capital .....	<b>13.5%</b>	13.8%	14.3%	13.9%	12.8%	14.3%
13.2	Equity Per Share At Year-End ...	<b>\$ 21.09</b>	19.02	16.99	14.99	12.77	11.33
<b>Stockholders' Data</b>							
	Outstanding Shares of Common Stock and Class B Stock at Year-End .....	<b>31,337</b>	31,337	31,337	31,337	28,320	28,318
25.6	Market Price of Common Stock At Year-End .....	<b>\$ 38%</b>	31%	28¼	18	11¾	12¾
	Range During Year: High ....	<b>\$ 41¼</b>	35	29¾	20½	13	13¼
	Low .....	<b>\$ 28¼</b>	24%	16¼	11½	10	8%
	Number of Common Stock and Class B Stock Holders at Year-End .....	<b>16,729</b>	16,467	16,033	16,817	17,774	18,417
<b>Employee Data</b>							
	Number of Full-Time Employees At Year-End .....	<b>15,200</b>	14,310	13,600	12,450	12,430	11,700

Notes:

(a) All shares and per share amounts have been adjusted for the two-for-one stock split effective September 15, 1983.

(b) Financial Position statistics include certain reclassifications which have been made to the December 31, 1982 and 1981 consolidated financial statements.



Hershey Foods Corporation  
Corporate Headquarters  
P.O. Box 810  
Hershey, Pennsylvania 17033-0810, U.S.A.  
Phone: (717) 534-4000 Telex: 842317

## FACT SHEET

### BUSINESS DESCRIPTION

Hershey Foods Corporation and its subsidiaries are engaged in the manufacture, distribution and sale of food and food-related items. The Company's principal products are chocolate and confectionery, which accounted for approximately 68% of consolidated net sales in 1984. In 1979 the Company acquired Friendly Ice Cream Corporation, which operates a chain of restaurants (707 at December 31, 1984) in 16 states primarily in the Northeast and Midwest, and which accounted for approximately 23% of consolidated net sales in 1984. The Company also manufactures and sells pasta products through its division, Hershey Pasta Group, renamed as a result of the November 1984 acquisition of the American Beauty brand. (It had formerly been the San Giorgio-Skinner Company.) The Company's Brazilian subsidiary, Petybon Industrias Alimenticia Ltda., manufactures pasta and other food products, and Cory Food Services operates a coffee service plan for businesses and institutions throughout the United States and Canada.

### SYMBOL

HSY - Listed on the New York Stock Exchange

### YEAR-END STATISTICS \*

	<u>Year-End</u>	
	<u>December 31, 1984</u>	<u>December 31, 1983</u>
Net Sales	\$ 1,892,506	\$ 1,706,105
Pretax Income	209,571	189,351
Net Income	108,682	100,166
Earnings Per Share	\$ 3.47	\$ 3.20

### INTERIM RESULTS \*

	<u>First Quarter Ended</u>	
	<u>March 31, 1985</u>	<u>April 1, 1984</u>
Net Sales	\$ 488,165	\$ 435,372
Pretax Income	42,982	37,329
Net Income	22,738	19,560
Earnings Per Share	\$ .73	\$ .62

\* In thousands of dollars except per share amounts. Net income per share has been computed based on the weighted average number of shares of Common Stock and Class B Common Stock outstanding during the period. Average shares outstanding were 31,337,112 for both years.

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### DIVIDEND RATE

The current quarterly dividend is \$ .35 on the Common Stock and \$ .315 on the Class B Common Stock.

### RECENT DEVELOPMENTS

#### Recapitalization

At the Special Meeting held on October 9, 1984, the Corporation's stockholders approved and adopted amendments to the Company's Restated Certificate of Incorporation which increased the authorized shares of its Common Stock and authorized a new Class B Common Stock. Principal rights of the Common Stock are entitlement to one vote per share, a dividend-per-share 10% higher than the Class B Common Stock, and the power to elect, as a class, one-sixth of the Board of Directors. The Class B Common Stock is entitled to ten votes per share and to vote together with the Common Stock to elect five-sixths of the Board of Directors and to act on most other matters submitted to stockholders.

#### Management Changes

William E. C. Dearden announced his retirement as Chairman of the Board of Hershey Foods Corporation to be effective on March 1, 1985.

Richard A. Zimmerman, President and Chief Executive Officer, will succeed Dearden as Chairman of the Board, on the same date. Zimmerman will retain the title of Chief Executive Officer.

Kenneth L. Wolfe, Senior Vice President and Chief Financial Officer, has been elected to be President and Chief Operating Officer, also effective March 1, 1985.

Michael F. Pasquale, Vice President, Finance and Administration of Hershey Chocolate Company, has been elected Vice President, Finance and Chief Financial Officer of Hershey Foods Corporation, effective March 1, 1985.

William Lehr, Jr., Secretary and Treasurer of the Corporation, has been elected Vice President and Secretary, effective March 1, 1985.

Thomas C. Fitzgerald, Director of Commodities, has been elected Treasurer of the Corporation, effective April 2, 1985.

Earl J. Spangler, President of Hershey Chocolate Company, the largest division of Hershey Foods Corporation, retired effective January 1, 1985.

Joseph P. Viviano, a Senior Vice President of the Corporation, succeeded Spangler as President of Hershey Chocolate Company effective January 1, 1985.

### INFORMATION CONTACT

James A. Edris  
Manager, Financial Information  
P.O. Box 814  
Hershey, PA 17033-0814  
Telephone (717) 534-7552



## Stock Market Data

Hershey Foods Corporation had 16,729 stockholders of record at year-end 1984 owning 26,235,110 shares of Common Stock and 5,102,002 shares of Class B Common Stock ("Class B Stock").

Hershey Foods Corporation Common Stock is listed and traded principally on the New York Stock Exchange. The stock is quoted as "Hershey" in stock table listings in daily newspapers; the abbreviated ticker symbol is "HSY". Class B Stock is not listed for trading.

Approximately 7,900,000 shares of the Corporation's Common Stock were traded during 1984, compared with approximately 5,339,000 shares in 1983. The closing price of the Common Stock on December 31, 1984 was \$38.63.

## Annual Meeting of Stockholders

The Annual Meeting will be held at 2 p.m. on Monday, April 29, 1985 at the Hershey Theatre, East Caracas Avenue (near Cocoa Avenue), in Hershey, PA.

A formal notice of the meeting together with a proxy statement is being mailed to stockholders on or about March 8, 1985. Stockholders are encouraged to participate in person or by proxy.

## Dividends

Dividends on both the Corporation's Common Stock and Class B Stock are normally paid in the months of March, June, September and December. The dividend on the Common Stock paid in December 1984 was the 220th consecutive regular dividend paid by the Corporation.

## Automatic Dividend Reinvestment Service

The Corporation's Dividend Reinvestment Plan allows registered Common Stock holders to reinvest

dividends in the Corporation's Common Stock automatically, regularly and conveniently without service charges or brokerage fees. In addition, participating stockholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and Common Stock holders may join or withdraw at any time.

Full details concerning the Plan are available by writing to the Corporation's Investor Relations Department in Hershey or the Dividend Reinvestment Department of Manufacturers Hanover Trust Company, P.O. Box 24850, Church Street Station, New York, NY 10249.

## Stockholder Assistance

A corporation's transfer agent has primary responsibility for the efficient transfer of a corporation's stock and related transactions, including maintenance of stockholder records, the cancellation and issuance of stock certificates, and disbursement of dividends. Hershey has appointed Manufacturers Hanover Trust Company, P.O. Box 24935, Church Street Sta-

tion, New York, NY 10249, as its transfer agent and registrar. Questions concerning dividends or stock certificates should be directed to the transfer agent. The Office of the Secretary of the Corporation will be pleased to assist on any stockholder relations matter.

## Additional Company Information

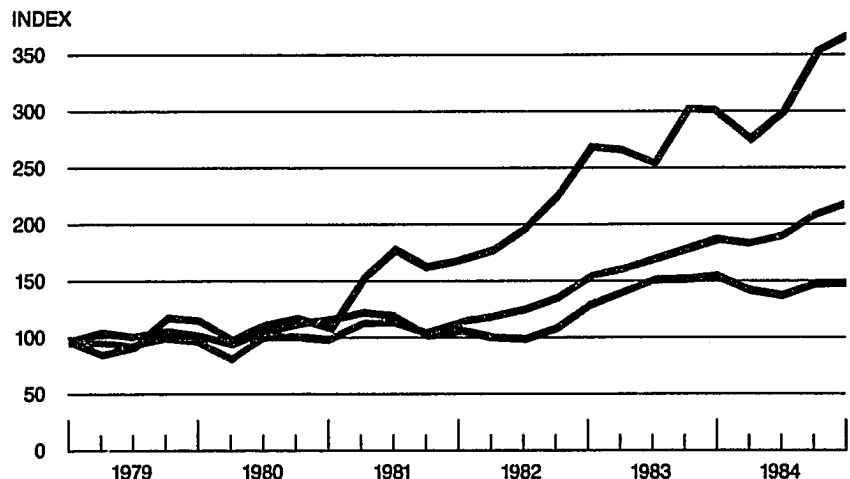
Hershey maintains an active investor relations program to keep stockholders well informed and to attract new investors. Comments or requests for information about the Corporation should be directed to the Investor Relations Department, Corporate Administrative Center, Hershey Foods Corporation, P.O. Box 814, Hershey, PA 17033-0814.

## Form 10-K

The Annual Report to the Securities and Exchange Commission on Form 10-K is available without charge upon written request to the Office of the Secretary, Corporate Administrative Center, Hershey Foods Corporation, P.O. Box 814, Hershey, PA 17033-0814.

## Hershey Common Stock Performance vs. Selected Indices

HERSHEY COMMON STOCK ■■■  
S&P FOOD INDEX ■■■  
DOW JONES IND. AVG. ■■■





San Giorgio

Fettuccini®

Enriched Egg Noodles

